



Kraken Reports Strong Q3 2022 Financial Results

Revenue of \$12.3 million and adjusted EBITDA margin of \$1.8M

ST. JOHN'S, Newfoundland, Nov. 29, 2022 -- Kraken Robotics Inc. (TSX-V: PNG, OTCQB: KRKNF), Canada's Ocean Company, announced it has filed its financial results for the quarter ended September 30, 2022. Additional information concerning the Company, including its consolidated financial statements and related management's discussion and analysis ("MD&A") for the quarter ended September 30, 2022, can be found at www.sedar.com. Unless otherwise stated, all dollar amounts are Canadian dollar denominated.

Financial Highlights

- Revenue for Q3, 2022 was \$12.3 million compared to \$5.1 million in the prior year and driven by the continued delivery to the Royal Danish Navy on multiple minehunting systems, the addition of PanGeo services, and the delivery of our SeaPower™ battery products. Year-to-date revenue is \$32.1 million compared to \$10.6 million in the first nine months of 2021.
- Gross margin in the quarter was 36.0% compared to 38.5% in the prior year. Year to date gross margins are 39.4%.
- Adjusted EBITDA⁽¹⁾ for the quarter was \$1.8 million compared to an Adjusted EBITDA loss ⁽¹⁾ of \$1.3 million in the comparable quarter. Year-to-date Adjusted EBITDA is \$4.4 million.
- Net loss in the quarter totaled \$0.5 million compared to a net loss of \$2.6 million in the comparable quarter due to the increased gross margin on a year-over-year basis.
- Cash at the end of the quarter totaled \$4.7 million compared to \$1.7 million at the end of Q3 2021.
- At November 30, 2022, Kraken had \$16.8 million in previously awarded non-repayable funding to draw upon from government agencies and project partners for research and development, of which cash amounting to \$7.4 million has been received for contracts to be completed in 2022.

1. *Adjusted EBITDA is a non-GAAP financial measure and Adjusted EBITDA Margin is a non-GAAP ratio, in each case with no standard meaning under IFRS, and may not be comparable to similar financial measures disclosed by other issuers. Refer to the "Non-GAAP Measures" section of this press release.*

CEO Comments

"We continue to report strong financial results during 2022 driven by our core products and service offerings. We are seeing market momentum driven by the geopolitical landscape and upgrade cycles in defense as well as strong growth in offshore renewable and offshore oil and gas. Combined with yesterday's announcement of an initial \$14 million subsea battery order from a confidential customer, we feel we are well positioned for continued strong growth in 2023 onwards," said CEO Karl Kenny.

Reiterating 2022 Financial Guidance

Financial guidance for 2022 remains unchanged from previously issued guidance. In 2022, we expect revenue to be in the \$36 - \$42 million range, with adjusted EBITDA expected to be in the \$5 – \$7 million range. Operational results in 2022 will be driven by the continued delivery of systems to the Royal Danish Navy, a full year impact from the acquisition of PanGeo and continued deliveries of our AquaPix® synthetic aperture sonar and SeaPower™ battery products. During the next twelve months, Kraken is also expected to receive progress/advance payments on three large contracts amounting to \$19.5 million.

PanGeo Earnout Update

During Q3, the Company passed the 12-month anniversary of the PanGeo Subsea ("PanGeo") acquisition. Under the terms of the original share purchase agreement dated July 20, 2021 (the "PanGeo Agreement"), PanGeo's financial performance in the first 12 months has resulted in the PanGeo selling shareholders achieving their maximum earnout consideration of \$4.5 million. Kraken has the right to pay up to 50% of this earnout consideration in Kraken common shares at a price per common share determined in accordance with the terms of the PanGeo Agreement. This share issuance is subject to TSX approval. Should Kraken choose to issue earnout consideration shares, these shares would be subject to a 4-month hold period.

Non-GAAP Measures

Non-GAAP measures, including non-GAAP financial measures and non-GAAP ratios not recognized under IFRS are provided where management believes they assist the reader in understanding Kraken's results. The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, Adjusted EBITDA is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without certain non-cash and non-

recurring items. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense and non-recurring impact transactions, if any.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Total Revenue. Working capital is defined as current assets less current liabilities.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income (loss)	\$(928)	\$(2,572)	\$(2,973)	\$(4,085)
Income tax	201	(135)	94	(273)
Financing costs	847	457	2,445	1,013
Loss (gain) on disposal of assets	-	-	207	-
Foreign exchange (loss) gain	(100)	(204)	(110)	(202)
Share-based compensation	137	189	619	420
Depreciation and Amortization	1,146	998	3,433	1,800
EBITDA – excluding restructuring and acquisition costs	1,303	(1,267)	3,715	(1,327)
Restructuring and acquisition costs	442	-	646	-
Adjusted EBITDA	\$1,745	\$(1,267)	\$4,361	\$(1,327)
Adjusted EBITDA Margin	14%	N/A	14%	N/A

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ABOUT KRAKEN ROBOTICS INC.

Kraken Robotics Inc. (TSX.V:PNG) (OTCQB: KRKNF) is a marine technology company dedicated to the production and sale of software-centric sensors, subsea batteries, and underwater robotic systems. The company has offices in North and South America and Europe. In July 2021, Kraken acquired PanGeo Subsea, a leading services company specializing in high-resolution 3D acoustic imaging solutions for the sub-seabed used to mitigate risk in offshore installations. PanGeo with offices in Canada, the United States and the United Kingdom is now a wholly owned subsidiary of Kraken. Kraken is ranked as a Top 100 marine technology company by Marine Technology Reporter.

Certain information in this news release constitutes forward-looking statements. When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including without limitation, changes in market, competition, governmental or regulatory developments, general economic conditions and other factors set out in the Company's public disclosure documents. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this news release, including without limitation those listed above. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release and such forward-looking statements included in, or incorporated by reference in this news release, should not be unduly relied upon. Such statements speak only as of the date of this news release. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Neither the TSX Venture Exchange Inc. nor its Regulation Services Provide (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release, and the OTCQB has neither approved nor disapproved the contents of this press release.

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